

LINCOLN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

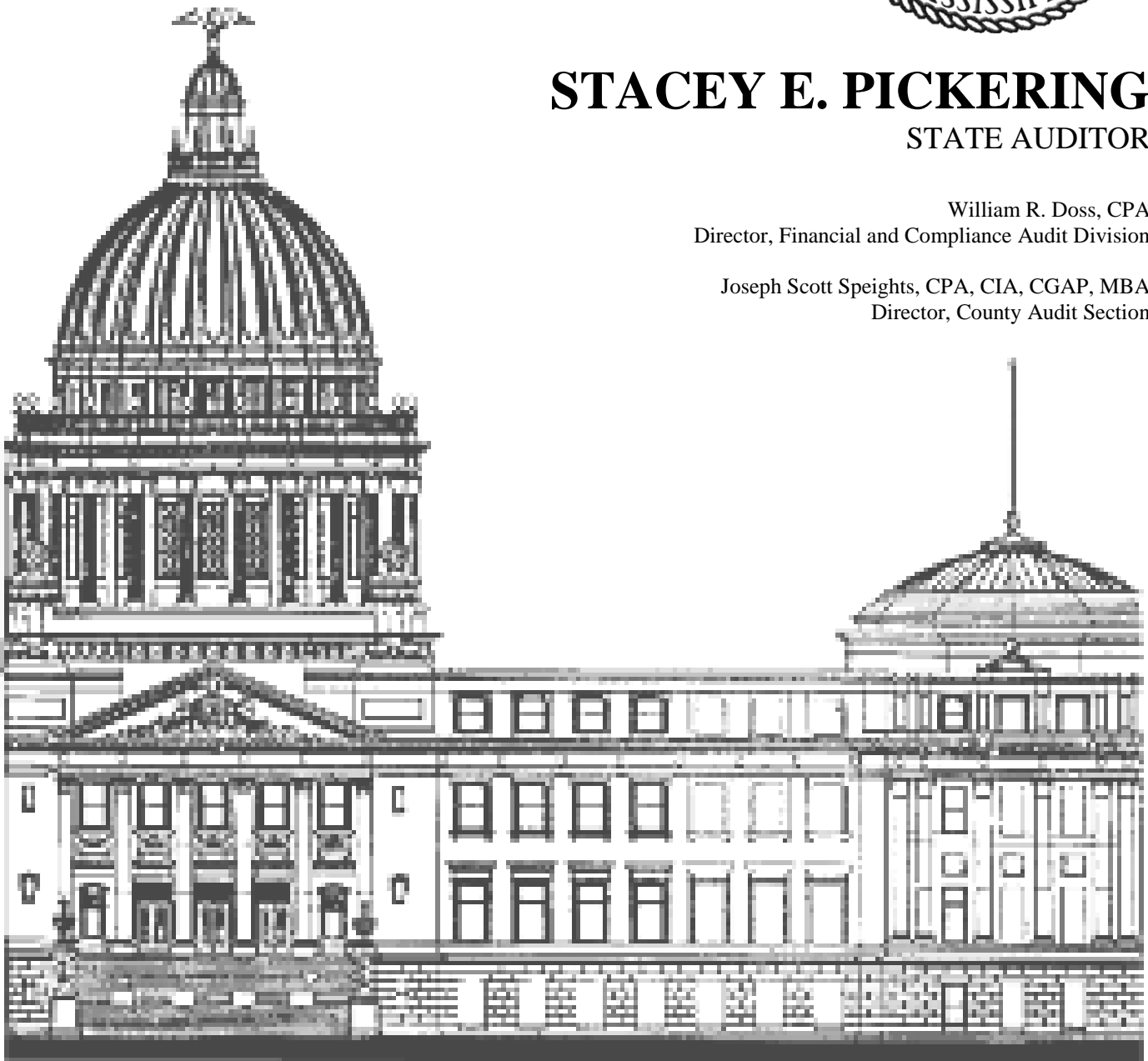


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 21, 2014

Members of the Board of Supervisors
Lincoln County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Lincoln County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lincoln County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lincoln County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LINCOLN COUNTY

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LINCOLN COUNTY

FINANCIAL SECTION

LINCOLN COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund and the aggregate remaining fund information of Lincoln County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln-Lawrence-Franklin Regional Library, a component unit, which represents 100 percent of the assets, net assets, and revenue of the aggregate discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the Lincoln-Lawrence-Franklin Regional Library which were audited by another auditor upon whose report we are relying, were audited in accordance with Auditing Standards Generally Accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provides a reasonable basis for our opinions.

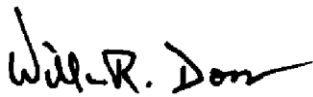
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate discretely presented component unit and the aggregate remaining fund information of Lincoln County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of Lincoln County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and the corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lincoln County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Lincoln County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 21, 2014

LINCOLN COUNTY

FINANCIAL STATEMENTS

LINCOLN COUNTY

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LINCOLN COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Lincoln-Lawrence-</u> <u>Franklin Regional Library</u>
ASSETS		
Cash	\$ 7,588,276	1,006,039
Investments		106,008
Property tax receivable	8,895,873	
Accounts receivable (net of allowance for uncollectibles of \$833,879)	348,895	
Fines receivable (net of allowance for uncollectibles of \$7,729,787)	3,456,111	
Capital leases receivable	190,000	
Intergovernmental receivables	194,070	
Other receivables	100,482	
Prepaid expenses		7,505
Capital assets:		
Land and construction in progress	1,112,916	6,000
Other capital assets, net	73,684,256	297,027
Total Assets	<u>95,570,879</u>	<u>1,422,579</u>
LIABILITIES		
Claims payable	551,819	8,965
Intergovernmental payables	325,539	
Matured bonds and interest payable	15,000	
Accrued interest payable	71,046	
Deferred revenue	8,895,873	
Unearned interest revenue	76,288	
Amounts held in custody for others	170,061	
Other payables	18,492	
Long-term liabilities		
Due within one year:		
Capital debt	766,853	
Non-capital debt	70,000	21,670
Due in more than one year:		
Capital debt	3,551,769	
Non-capital debt	1,348,953	
Total Liabilities	<u>15,861,693</u>	<u>30,635</u>
NET ASSETS		
Invested in capital assets, net of related debt	70,478,550	303,027
Restricted:		
Expendable:		
General government	463,231	
Public safety	70,136	
Public works	4,417,060	
Culture and recreation	209,053	
Economic development and assistance	143,529	
Debt service	301,957	
Unemployment compensation		6,506
Eva Vernon Building Fund		476,063
Other purposes	334,744	
Unrestricted	3,290,926	606,348
Total Net Assets	<u>\$ 79,709,186</u>	<u>1,391,944</u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Lincoln-Lawrence-Franklin Regional Library
Primary government:						
Governmental activities:						
General government	\$ 5,229,985	2,197,483	49,980	199,910	(2,782,612)	
Public safety	3,784,791	774,034	164,320		(2,846,437)	
Public works	5,118,672	1,347,635	836,987	411,892	(2,522,158)	
Health and welfare	246,598		40,077		(206,521)	
Culture and recreation	593,446		80,831		(512,615)	
Conservation of natural resources	90,544			351	(90,193)	
Economic development and assistance	169,231				(169,231)	
Interest on long-term debt	252,579				(252,579)	
Total Governmental Activities	15,485,846	4,319,152	1,172,195	612,153	(9,382,346)	
Total Primary Government	\$ 15,485,846	4,319,152	1,172,195	612,153	(9,382,346)	
Component unit:						
Lincoln-Lawrence-Franklin Regional Library	\$ 896,296	211,248	262,992	0		(422,056)
General revenues:						
Property taxes				\$	8,723,112	
Road & bridge privilege taxes					437,809	
Grants and contributions not restricted to specific programs					2,114,533	
Unrestricted interest income					100,333	
Miscellaneous					336,704	
County revenues						387,735
City revenues						111,430
Total General Revenues					11,712,491	499,165
Changes in Net Assets					2,330,145	77,109
Net Assets - Beginning of year					77,379,041	1,314,835
Net Assets - End of year				\$	79,709,186	1,391,944

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,392,733	6,195,543	7,588,276
Property tax receivable	5,617,681	3,278,192	8,895,873
Accounts receivable (net of allowance for uncollectibles of \$966,917)		348,895	348,895
Fines receivable (net of allowance for uncollectibles of \$7,902,498)	3,456,111		3,456,111
Capital lease receivable	190,000		190,000
Intergovernmental receivables	194,070		194,070
Other receivables	100,482		100,482
Due from other funds		151,969	151,969
Total Assets	\$ 10,951,077	9,974,599	20,925,676
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 230,063	321,756	551,819
Intergovernmental payables	325,539		325,539
Due to other funds	169,747		169,747
Matured bonds and interest payable		15,000	15,000
Deferred revenue	9,263,792	3,627,087	12,890,879
Amounts held in custody for others	170,061		170,061
Other payables	714		714
Total Liabilities	10,159,916	3,963,843	14,123,759
Fund balances:			
Restricted for:			
General government		463,231	463,231
Public safety		70,136	70,136
Public works		4,417,060	4,417,060
Culture and recreation		209,053	209,053
Economic development and assistance		143,529	143,529
Debt service		373,003	373,003
Other purposes		334,744	334,744
Unassigned	791,161		791,161
Total Fund Balances	791,161	6,010,756	6,801,917
Total Liabilities and Fund Balances	\$ 10,951,077	9,974,599	20,925,676

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,801,917
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$127,204,702	74,797,172
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,805,006
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,737,575)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(71,046)
Capital lease receivables are not financial resources and therefore, are not reported in the funds.	190,000
Unearned interest revenues are not financial resources and therefore, are not reported in the funds.	<u>(76,288)</u>
Total Net Assets - Governmental Activities	\$ <u><u>79,709,186</u></u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 5,683,510	3,039,602	8,723,112
Road and bridge privilege taxes		437,809	437,809
Licenses, commissions and other revenue	705,296	41,422	746,718
Fines and forfeitures	747,975	600	748,575
Intergovernmental revenues	733,517	3,165,845	3,899,362
Charges for services	204,923	1,783,478	1,988,401
Interest income	98,456	1,877	100,333
Miscellaneous revenues	96,815	140,698	237,513
Total Revenues	8,270,492	8,611,331	16,881,823
EXPENDITURES			
Current:			
General government	4,595,489	414,893	5,010,382
Public safety	2,970,698	632,638	3,603,336
Public works		5,159,904	5,159,904
Health and welfare	242,658	3,940	246,598
Culture and recreation		598,999	598,999
Conservation of natural resources	90,544		90,544
Economic development and assistance	146,595	22,320	168,915
Debt service:			
Principal	23,924	697,699	721,623
Interest	5,924	252,019	257,943
Other debt service - no commitment		80,148	80,148
Total Expenditures	8,075,832	7,862,560	15,938,392
Excess of Revenues over (under) Expenditures	194,660	748,771	943,431
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	216,070	324,504	540,574
Proceeds from sale of capital assets		125,236	125,236
Proceeds from lease receivable payments	10,000		10,000
Compensation for loss of capital assets	10,207	16,789	26,996
Transfers in		924,019	924,019
Transfers out	(202,928)	(721,091)	(924,019)
Total Other Financing Sources and Uses	33,349	669,457	702,806
Net Changes in Fund Balances	228,009	1,418,228	1,646,237
Fund Balances - Beginning of year	563,152	4,382,388	4,945,540
Fund reclassification		210,140	210,140
Fund Balances - Beginning of year, as restated	563,152	4,592,528	5,155,680
Fund Balances - End of year	\$ 791,161	6,010,756	6,801,917

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,646,237
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,662,622 exceeded capital outlays of \$1,404,708 in the current period.	(257,914)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$26,995 and the proceeds from the sale of \$ 125,236.	(98,241)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	852,521
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	27,663
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$721,623 exceeded debt proceeds of \$540,574.	181,049
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(16,534)
The amount of decrease in accrued interest payable	5,364
In the Statement of Activities, only interest income from payments received on capital leases is reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collection on the capital lease.	<u>(10,000)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,330,145</u></u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

	Agency Funds
ASSETS	
Cash and investments	\$ 300,831
Due from other funds	17,778
Total Assets	<u>\$ 318,609</u>
LIABILITIES	
Amounts held in custody for others	\$ 304,853
Intergovernmental payables	13,756
Total Liabilities	<u>\$ 318,609</u>

The notes to the financial statements are an integral part of this statement.

LINCOLN COUNTY

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LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lincoln County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lincoln County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County. A majority of the members of the governing bodies of this component unit are appointed by the County Board of Supervisors.

Lincoln-Lawrence-Franklin Regional Library was formed under Section 39-3-9, Miss. Code Ann. (1972) and is legally separate entity. The library was organized under a contract between the counties of Lincoln, Lawrence and Franklin. Four cities contribute operating monies but do not have board representation. The board is composed of five members, three appointed by Lincoln County, one by Franklin and one by Lawrence County. Lincoln County funds about twenty-four percent of the system's total operating budget.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds. Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lincoln County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, Statement of Net Assets

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Fund Reclassification.

Effective May 1, 2010, the County changed its method of providing health insurance coverage to its employees from operating as a self-insured provider to contracting with a third party provider. At September 30, 2011 all claim liabilities related to the County's self-insurance had been satisfied in full.

For the year beginning October 1, 2011, the Self Insurance Fund was reclassified from Internal Service Fund to Other Governmental Funds. This resulted in an increase and decrease to Other Governmental Funds and Internal Service Fund of \$210,140, respectively.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$7,889,107, and the bank balance was \$8,057,249. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 151,969
Agency Funds	General Fund	17,778
Total		\$ 169,747

The receivables represent the tax revenue collected but not settled until October, 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 202,928
Other Governmental Funds	Other Governmental Funds	<u>721,091</u>
Total		<u>\$ 924,019</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ <u>194,070</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Primary Government

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 555,123				555,123
Construction in progress	<u>1,676,651</u>	<u>826,131</u>		<u>(1,944,989)</u>	<u>557,793</u>
Total non-depreciable capital assets	<u>2,231,774</u>	<u>826,131</u>	<u>0</u>	<u>(1,944,989)</u>	<u>1,112,916</u>
<u>Depreciable capital assets:</u>					
Infrastructure	176,489,087			1,944,989	178,434,076
Buildings	12,199,608			(171,830)	12,027,778
Improvements other than buildings	1,161,585				1,161,585
Mobile equipment	7,204,260	137,812	364,654		6,977,418
Furniture and equipment	1,019,201	48,387	39,641		1,027,947
Leased property under capital leases	<u>957,326</u>	<u>392,378</u>	<u>89,550</u>		<u>1,260,154</u>
Total depreciable capital assets	<u>199,031,067</u>	<u>578,577</u>	<u>493,845</u>	<u>1,773,159</u>	<u>200,888,958</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	113,418,120	815,768			114,233,888
Buildings	6,277,985	227,022		(48,118)	6,456,889
Improvements other than buildings	138,954	46,463			185,417

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Mobile equipment	4,959,723	366,062	310,398		5,015,387
Furniture and equipment	734,725	91,558	36,846		789,437
Leased property under capital leases	456,295	115,749	48,360		523,684
Total accumulated depreciation	125,985,802	1,662,622	395,604	(48,118)	127,204,702
Total depreciable capital assets, net	73,045,265	(1,084,045)	98,241	1,821,277	73,684,256
Governmental activities capital assets, net	\$ 75,277,039	(257,914)	98,241	(123,712)	74,797,172

*Adjustments were made to move completed construction in progress to infrastructure and to correct posting error in capital asset balances.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 285,030
Public safety	201,050
Public works	1,128,468
Culture and recreation	48,074
Total governmental activities depreciation expense	\$ 1,662,622

COMPONENT UNIT

Lincoln-Lawrence-Franklin Regional Library Capital Assets:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,000				6,000
Total non-depreciable capital assets	6,000	0	0	0	6,000
<u>Depreciable capital assets:</u>					
Books and library materials	1,901,809	80,637			1,982,446
Mobile equipment	19,038				19,038
Furniture and equipment	86,925	18,804			105,729
Total depreciable capital assets	2,007,772	99,441	0	0	2,107,213

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Less accumulated depreciation</u>					
<u>for:</u>					
Books and library materials	1,565,244	146,752			1,711,996
Mobile equipment	19,038				19,038
Furniture and equipment	64,944	14,208			79,152
Total accumulated depreciation	1,649,226	160,960	0	0	1,810,186
Total depreciable capital assets, net	358,546	(61,519)	0	0	297,027
Governmental activities capital assets, net	\$ 364,546	(61,519)	0	0	303,027

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Lease.

As Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$9,150 for the year ended September 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ended September 30	Amount
2013	\$ 9,450
2014	5,089
2015	1,980
2016	1,485
Total Minimum Payments Required	\$ 18,004

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(9) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

Classes of Property	Amount
Buildings – Spec Building	\$ 200,000
Total	\$ <u>200,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

Year Ended September 30	Principal
2013	\$ 10,000
2014	10,000
2015	10,000
2016	10,000
2017	10,000
2018 – 2022	<u>140,000</u>
Total	\$ <u>190,000</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,044,084
Furniture and Equipment	<u>216,070</u>
Total	<u>1,260,154</u>
Less: Accumulated depreciation	<u>523,684</u>
Leased Property Under Capital Leases	\$ <u>736,470</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 215,910	13,749
2014	182,466	7,813
2015	125,732	4,445
2016	107,136	1,886
2017	<u>41,337</u>	<u>429</u>
Total	\$ <u>672,581</u>	<u>28,322</u>

LINCOLN COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(10) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail bond	\$ 1,350,000	3.55/3.625%	05/2018
Industrial taxable bond	1,285,000	6.00%	06/2025
Industrial park bond	1,815,000	4.50%	12/2026
Library roof & courthouse chiller	165,000	3.20%	10/2013
Equipment for multi-purpose building	85,000	1.75/2.00%	03/2014
Total General Obligation Bonds	\$ 4,700,000		
B. Limited Obligation Bonds:			
Tax increment bonds	\$ 106,875	4.65%	04/2016
C. Capital Leases:			
E911 equipment upgrade	\$ 27,874	5.50%	09/2013
Caterpillar motor grader	36,572	3.61%	08/2013
Caterpillar backhoe	24,530	3.61%	04/2014
Caterpillar wheel loader	122,734	2.03%	01/2014
IBM i5 computer	212,820	2.07%	08/2017
Caterpillar wheel loader	65,508	3.39%	01/2014
John Deere excavator	182,543	2.03%	06/2016
Total Capital Leases	\$ 672,581		
D. Other Loans:			
Industrial park building CAP loan	\$ 124,166	4.00%	06/2017

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 570,000	202,508	25,650	4,970
2014	425,000	183,212	25,650	3,777
2015	390,000	166,274	27,075	2,584
2016	405,000	149,535	28,500	1,325
2017	430,000	132,055		
2018 – 2022	1,355,000	429,355		
2023 – 2027	1,125,000	124,393		
Total	\$ 4,700,000	1,387,332	106,875	12,656

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 25,293	4,555
2014	26,323	3,525
2015	27,395	2,453
2016	28,512	1,336
2017	16,643	246
Total	\$ 124,166	12,115

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 1.11% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2012, \$1,350,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 117,419	16,534			133,953	
General obligation bonds	5,255,000		555,000		4,700,000	570,000
Limited obligation bonds	131,100		24,225		106,875	25,650
Capital leases	250,481	540,574	118,474		672,581	215,910
Other loans	148,090		23,924		124,166	25,293
Total	\$ 5,902,090	557,108	721,623	0	5,737,575	836,853

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund and the Road and Bridge Maintenance Funds.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
Emergency 911 Fund	\$ (5,779)
Law Library	(3,398)
Litter and Solid Waste	(4,106)

(12) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the King's Daughter Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2012, is \$4,325,000.

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2012
New Sight Volunteer Fire Department truck loan	\$ 33,336
Bogue Chitto Volunteer Fire Department truck loan	89,850
Heucks Retreat Volunteer Fire Department truck loan	36,809
Hog Chain Volunteer Fire Department truck loan	35,364
Ruth Volunteer Fire Department truck loan	63,772

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lincoln County Board of Supervisors appoints six of the 27 members of the college board of trustees. The county appropriated \$1,200,296 for maintenance and support of the college in fiscal year 2012.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lincoln County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$47,879 and \$19,900 for support of the district in fiscal year 2012.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lincoln County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$30,000 for support of the district in fiscal year 2012.

The Alliance was formed to handle joint projects between the County, the City of Brookhaven and the Chamber of Commerce Industrial Development Foundation. The Alliance is governed by five members, two appointed by the County, two appointed by the City, and the one appointed by the Industrial Development Foundation. The Alliance will build a new industrial development park with the first project to consist of a water well and water tower and the second project is to provide sewer, water and roads. Funding consists of \$2.2 million from the County, \$2.2 million from the City and EDA Grants of \$490,000 and \$500,000 from the Industrial Development Foundation. Lincoln County provided no support for fiscal year 2012.

LINCOLN COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(15) Defined Benefit Pension Plan.

Plan Description. Lincoln County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$576,348, \$518,772 and \$505,825, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Lincoln County evaluated the activity of the County through February 21, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
06/12/2013	1.85%	\$ 125,600	Lease purchase	Ad valorem
12/02/2013	3.43%	112,768	Lease purchase	Ad valorem

LINCOLN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY

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LINCOLN COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2012
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,558,098	5,681,803	5,681,803	
Licenses, commissions and other revenue	482,474	744,339	744,339	
Fines and forfeitures	642,077	758,190	755,173	(3,017)
Intergovernmental revenues	776,649	730,499	733,517	3,018
Charges for services	50,000	204,923	204,923	
Interest income	68,000	136,124	95,115	(41,009)
Miscellaneous revenues	48,000	46,594	87,602	41,008
Total Revenues	<u>7,625,298</u>	<u>8,302,472</u>	<u>8,302,472</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,926,819	4,805,262	4,602,334	202,928
Public safety	2,559,582	2,960,993	2,960,993	
Health and welfare	247,786	242,658	242,658	
Conservation of natural resources	107,212	90,544	90,544	
Economic development and assistance	184,900	176,443	146,595	29,848
Debt service:				
Principal			23,924	(23,924)
Interest			5,924	(5,924)
Total Expenditures	<u>7,026,299</u>	<u>8,275,900</u>	<u>8,072,972</u>	<u>202,928</u>
Excess of Revenues over (under) Expenditures	<u>598,999</u>	<u>26,572</u>	<u>229,500</u>	<u>202,928</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term capital debt			216,070	216,070
Proceeds from sale of capital assets			20,000	20,000
Compensation for loss of capital assets			10,207	10,207
Transfers out			(202,928)	(202,928)
Other financing sources		246,277		(246,277)
Total Other Financing Sources and Uses	<u>0</u>	<u>246,277</u>	<u>43,349</u>	<u>(202,928)</u>
Net Change in Fund Balance	598,999	272,849	272,849	
Fund Balances - Beginning			624,348	624,348
Fund Balances - Ending	<u>\$ 598,999</u>	<u>272,849</u>	<u>897,197</u>	<u>624,348</u>

LINCOLN COUNTY

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LINCOLN COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund Type</u>
		<u>General</u>
		<u>Fund</u>
Budget (Cash Basis)	\$	272,849
Increase (Decrease)		
Net adjustments for revenue accruals		(41,980)
Net adjustments for expenditure accruals		(2,860)
GAAP Basis	\$	<u>228,009</u>

LINCOLN COUNTY

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LINCOLN COUNTY

OTHER INFORMATION

LINCOLN COUNTY

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LINCOLN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Jerry Wilson	Supervisor District 1	Brierfield Insurance Company	\$100,000
Jimmy Diamond	Supervisor District 2	Brierfield Insurance Company	\$100,000
Nolan Earl Williamson	Supervisor District 3	Brierfield Insurance Company	\$100,000
Eddie Brown	Supervisor District 4	Brierfield Insurance Company	\$100,000
Dudley Nations	Supervisor District 5	Brierfield Insurance Company	\$100,000
David A. Fields	County Administrator	FCCI Insurance Company	\$100,000
Tillmon Bishop	Chancery Clerk	Brierfield Insurance Company	\$100,000
Deborah A. Brent	Purchase Clerk	Western Surety Company	\$75,000
Patricia Hart	Receiving Clerk	Western Surety Company	\$75,000
Alicia McGehee	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Garya L. James	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Roger Brumfield	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Ricky W. Nations	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Carol N. Smith, Jr.	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Krysten Bulter	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Tommie Sanders	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Quin A. Jordan	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Karen Gayten	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Floyd Brown	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Hugh V. Prather	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Alex Robinson	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Roy Lackland	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Jonathan Powell	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Arvin Givens	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Kathi Easley	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Kenneth Britt	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Tina Smith	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Kendria Yarborough	Assisstant Receiving Clerk	Western Surety Company	\$50,000
Nicki McGraw	Inventory Control Clerk	Western Surety Company	\$75,000
Kelly Moak	Inventory Control Clerk	Western Surety Company	\$75,000
Lawrence Porter	Constable	Brierfield Insurance Company	\$50,000
William Boyd	Constable	Brierfield Insurance Company	\$50,000
Sherry Jordan	Circuit Clerk	Brierfield Insurance Company	\$100,000
Dustin Bairfield	Circuit Clerk	Brierfield Insurance Company	\$100,000
Steve Rushing	Sheriff	Brierfield Insurance Company	\$100,000
Blair Dehart	Deputy Sheriff	Western Surety Company	\$50,000
John F. Branton	Deputy Sheriff	Western Surety Company	\$50,000
Athur W. Likens	Deputy Sheriff	Western Surety Company	\$50,000
Kirby J. Ebbers	Deputy Sheriff	Western Surety Company	\$50,000
Matt Springfield	Deputy Sheriff	Western Surety Company	\$50,000
Charles R. Smith, Jr.	Deputy Sheriff	Western Surety Company	\$50,000
Dustin R. Bairfield	Deputy Sheriff	Western Surety Company	\$50,000
John W. Hall, Jr	Deputy Sheriff	Western Surety Company	\$50,000
Carlos W. Hinshaw	Deputy Sheriff	Western Surety Company	\$50,000
Bareman F. Stilley	Deputy Sheriff	Western Surety Company	\$50,000
Robert J. Hawkins	Deputy Sheriff	Western Surety Company	\$50,000

LINCOLN COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Byron M. Catchings	Deputy Sheriff	Western Surety Company	\$50,000
Randy Belcher	Deputy Sheriff	Western Surety Company	\$50,000
David Johnson	Deputy Sheriff	Western Surety Company	\$50,000
Keith R. Dickerson	Deputy Sheriff	Western Surety Company	\$50,000
Stewart Thornton	Deputy Sheriff	Western Surety Company	\$50,000
John F. Whitaker	Deputy Sheriff	Western Surety Company	\$50,000
Jessie L. Legget	Deputy Sheriff	Western Surety Company	\$50,000
Kelvin Locke	Deputy Sheriff	Western Surety Company	\$50,000
Natasha Williams	Deputy Sheriff	Western Surety Company	\$50,000
John T. Kyzar	Deputy Sheriff	Western Surety Company	\$50,000
Randy Ratcliff	Deputy Sheriff	Western Surety Company	\$50,000
Dwayne E. Burns	Deputy Sheriff	Western Surety Company	\$50,000
Donald James	Deputy Sheriff	Western Surety Company	\$50,000
Joe P. Beeson	Deputy Sheriff	Western Surety Company	\$50,000
Becky Howell	Deputy Sheriff	Western Surety Company	\$50,000
Marshall L. London, Jr.	Deputy Sheriff	Western Surety Company	\$50,000
Kennis Montgomery	Deputy Sheriff	Western Surety Company	\$50,000
Damian Gatlin	Deputy Sheriff	Western Surety Company	\$50,000
Robert Cole	Deputy Sheriff	Western Surety Company	\$50,000
Michael Lewis	Deputy Sheriff	Western Surety Company	\$50,000
Robert Lewis	Deputy Sheriff	Western Surety Company	\$50,000
Dustin Vanderslice	Deputy Sheriff	Western Surety Company	\$50,000
Blake Wallace	Deputy Sheriff	Western Surety Company	\$50,000
Alice Warren	Deputy Sheriff	Western Surety Company	\$50,000
Christopher King	Justice Court Judge	Brierfield Insurance Company	\$50,000
Micheal Portery	Justice Court Judge	Brierfield Insurance Company	\$50,000
Sharon K. Lofton	Justice Court Clerk	Western Surety Company	\$50,000
Melenie Greene	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Tiffani Jones	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Venecia J. Lee	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Lindsey Whitter	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Nancy Jordan	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000
Rita Goss	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000

LINCOLN COUNTY

SPECIAL REPORTS

LINCOLN COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lincoln County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund and the aggregate remaining fund information of Lincoln County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 21, 2014. Our report includes a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Lincoln-Lawrence-Franklin Regional Library, a component unit of the County, as described in our report on the County's financial statements. The financial statements of the Lincoln-Lawrence-Franklin Regional Library were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lincoln County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2, 12-3, 12-4, 12-5, 12-6, 12-7, 12-8, 12-9, 12-10, and 12-11 and to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain instances of noncompliance which we have reported to the management of Lincoln County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 21, 2014, included within this document.

Lincoln County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Lincoln County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 21, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lincoln County, Mississippi

We have examined Lincoln County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Lincoln County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

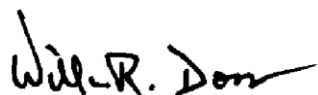
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lincoln County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lincoln County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lincoln County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 21, 2014

LINCOLN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

LINCOLN COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
1/18/2012	Replaced motor	\$ 16,725	S &S Services	Repair motor for loader
3/5/2012	Replaced Transmission	8,444	Farmbelt	Replacement of transmission and clutch
4/3/2012	Air conditioner Compressor	7,388	Terry-Trane Agency	Air conditioner quit in jail

LINCOLN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

LINCOLN COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

In planning and performing our audit of the financial statements of Lincoln County, Mississippi (the County) for the year ended September 30, 2012, we considered Lincoln County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lincoln County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 21, 2014, on the financial statements of Lincoln County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Synopsis of audit report was not published.

Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the county to be published in a local newspaper as soon as possible after the County receives a copy of the report. As reported in the prior year's audit report, the county did not publish the 2010 or 2011 audit report. Failure to publish the audit synopsis resulted in the county not being in compliance with state law.

Recommendation

The County should publish a synopsis of the annual audit report as required by law.

Board of Supervisors' Response

Will make every effort to comply in the future.

Board of Supervisors/Justice Court Judges.

2. Justice Court Judges should be bonded for proper amount.

Finding

Section 19-11-7, Miss. Code Ann. (1972), requires Justice Court Judges to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Justice Court Judges were bonded for \$10,000 rather than \$50,000. Failure to have officials bonded for the proper amounts could limit the amount available for recovery if a loss were to occur.

Recommendation

The Justice Court Judges should ensure that their bonds are increased to the proper amounts

Circuit Clerk's Response

Corrected in FY 2012-2013.

Board of Supervisors and Constables.

3. Constables should be bonded for proper amount.

Finding

Section 19-19-3, Miss. Code Ann. (1972), requires Constables to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Constables were bonded for \$25,000 rather than \$50,000. Failure to have officials bonded for the proper amounts could limit the amount available for recovery if a loss were to occur.

Recommendation

The Constables should ensure that their bonds are increased to the proper amounts.

Board of Supervisors' and Constables Response

Corrected in FY 2012-2013

Chancery Clerk.

4. Collateralization procedures are not being performed.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. As reported in the prior year's audit report, the following duties were not performed:

- a. The report from the State Treasurer was not reconciled to the county's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.
- c. The annual report was not submitted to the State Treasurer.

Without accurate and timely reconciliation of the reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared, the annual report is submitted by October 31st and the bank is notified when appropriate.

Chancery Clerk's Response

We will make every effort to comply.

Board of Supervisors/ Assistant Receiving Clerks.

5. Assistant Receiving Clerks should be bonded for the proper amount.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Receiving Clerks to execute a bond for \$50,000 to be payable, conditioned and approved by law. As reported in the prior year's audit report, the Assistant Receiving Clerks were bonded for \$25,000 rather than \$50,000. Failure to have officials bonded for the proper amounts could limit the amount available for recovery if a loss were to occur.

Recommendation

The Assistant Receiving Clerks should ensure that their bonds are increased to the proper amounts.

Board of Supervisors' Response

Corrected FY 2012-2013.

Board of Supervisors.

6. The County should prorate interest earned to all applicable funds.

Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. The county recorded all interest earned from the county's combined checking account in the General Fund instead of all funds from which the investment was made. Failure to prorate interest earned among the funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Board of Supervisors should prorate the interest earned on the combined checking account among all funds that have cash in the checking accounts, as required by law.

Board of Supervisors' Response

We will make every effort to comply when interest earned is considered material.

Board of Supervisors.

7. Credit card records should be maintained by the Purchase Clerk or Chancery Clerk.

Finding

Section 19-3-68, Miss. Code Ann. (1972), requires that the Chancery Clerk or county Purchase Clerk maintain complete records of all credit card numbers and all receipts and other documents relating to the use of such credit cards. During our review of the credit card documentation, we noted that all credit card information is being maintained by the Accounts Payable Clerk. Improper allocation of this duty could result in the loss of documentation for credit card purchases and misappropriation of public funds.

Recommendation

The Purchase Clerk or Chancery Clerk should maintain all credit card documentation as required by law.

Board of Supervisors' Response

We will make this change.

Board of Supervisors.

8. County employees should furnish receipts for the use of county credit cards.

Finding

Section 19-3-68, Miss. Code Ann. (1972), requires the members of the Board of Supervisors and other county employees to furnish receipts for the use of county credit cards each month. During our review of credit card purchases, we noted several credit card purchases for which no receipts were provided by the county employees. Failure to provide receipts for credit card purchases could result in the loss or misappropriation of public funds.

Recommendation

Before credit card payments are approved, the Board of Supervisors should ensure that receipts are received for all credit card transactions.

Board of Supervisors' Response

We will make every effort to comply with this finding.

Board of Supervisors.

9. Credit card expenses for travel should be within the guidelines set forth by the Department of Finance and Administration.

Finding

Section 25-3-41, Miss. Code Ann. (1972), allows county employees to be reimbursed for expenses incurred in the course of travel, subject to limitations placed on meals for intrastate and interstate official travel by the Department of Finance and Administration. During our review of credit card purchases, we noted the following transactions that were not within the limitations of set by the Department of Finance and Administration:

1. We noted four transactions in which county employees purchased meals with the credit cards on trips that did not require an overnight stay. These are considered to be taxable meals and should be included as wages for the county employees.
2. We noted five transactions in which county employees purchased meals and other travel expenses for non-county employees on the county's credit card.

3. We noted one transaction in which the daily per diem rate for meals was exceeded.

4. We noted three transactions which appeared to be excessive in nature.

Failure to follow the state guidelines for travel expenses could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should only allow county employees to use the county credit cards for expenses that are within the guidelines set forth by the Department of Finance and Administration.

Board of Supervisors' Response

We will make every effort to comply in the future.

Board of Supervisors.

10. Credit card expenses should not be paid out of the Special Levy Reappraisal Fund.

Finding

In our review of credit card expenditures, we noted that the county's credit card payments are being made from the Special Levy Reappraisal Fund. This fund should only be used for payments relating the purpose for which this fund was created. Failure to pay county employee travel expenses from the correct account could result in the loss or misappropriation of public funds.

Recommendation

The travel expenses of county employees should be paid from the General Fund of the county.

Board of Supervisors' Response

We will start paying credit cards travel expenses from General Fund in the future.

Chancery Clerk.

11. Officials' bonds should be correctly indexed when recorded.

Finding

Section 9-5-157, Miss. Code Ann. (1972), requires the clerk of the chancery court to include the number of suits in which the bond was filed. As reported in the prior year's audit report, the Purchase Clerk, Receiving Clerk, Assistant Receiving Clerks, Inventory clerk, Sheriff's deputies and Justice Court employees' bonds did not include page numbers. Lack on indexing could result in loss of documents that are required to be maintained by law.

Recommendation

The Chancery Clerk should ensure surety bonds are correctly indexed when recorded.

Chancery Clerk's Response

Corrected in FY 2012-2013.

Tax Collector.

12. Road and bridge privilege tax should be settled timely.

Finding

Section 25-7-21, Miss. Code Ann. (1972), requires the Tax Collector to remit to the Clerk of the Board of Supervisors on or before the twentieth of each month all fees collected during the preceding month. The Tax Collector failed to settle to the county \$32,219.40 of Road and Bridge Privilege tax by the twentieth of February 2012. Failure to settle in a timely manner could result in the loss or misuse of public funds.

Recommendation

The Tax Collector should comply by settling to the county all collections received in the previous month on or before the twentieth of the subsequent month.

Tax Collector's Response

This was an oversight at the time. The amount was corrected.

Auditor's Note

The amount in question was settled to the County in February 2012.

Sheriff.

13. The Sheriff's office settlement of collections was not made on a monthly basis.

Finding

Section 19-25-13, Miss. Code Ann. (1972), requires the Sheriff to settle all collections of fees and charges to the county monthly. As reported in the prior year's audit report, settlements of collections were not made monthly. Failure to settle sheriff collections timely could result in loss or misuse of public funds.

Recommendation

The Sheriff should settle all collection monthly as required by law.

Sheriff's Response

Settlement issue has been corrected.

Board of Supervisors.

14. County should settle all collections to the community college monthly and not transfer funds from General Fund for college purposes.

Finding

Section 37-29-143, Miss. Code Ann. (1972), requires that the Board of Supervisors of each county belonging to a junior college district and levying taxes pursuant to subsection (1) of Section 37-29-141 for the support and maintenance, thereof, shall transmit its warrant or warrants constituting all of the revenues received from taxation for prior month for said purposes of on or before the thirtieth day of each month; and may not supplement the collection with General Fund money. As reported in the prior year's audit report, the county transferred funds from the county General Fund in addition to the junior college levy collected, resulting in an excess settlement.

Failure to properly settle levied taxes to the junior college monthly could result in the misappropriation of funds. Also, supplementing the collections with General Funds of the county is a violation of state law.

Recommendation

The Board of Supervisors should comply with the statutory requirement of settling community college collections monthly. The Board of Supervisors should not use General Funds of the county to supplement settlements.

Board of Supervisor's Response

We have corrected this finding and the Tax Collector will settle directly to the college beginning in the 2013-2014 fiscal year.

Auditor's Note

The Tax Collector cannot statutorily settle community college collections directly to the college.

Board of Supervisors.

15. Statutory balances should be maintained in the Unemployment Comp Fund.

Finding

Section 71-5-359(5), Miss. Code Ann. (1972), requires that a balance be maintained in the Unemployment Comp Fund at an amount no less than two percent (2%) of the covered wages paid during the next preceding year. The cash balance was below the amount required by state statute. At September 30, 2012, the cash balance was \$9,544 and the minimum required amount was \$20,760. Failure to maintain the minimum required balance could result in the County being unable to provide adequate unemployment compensation to its employees.

Recommendation

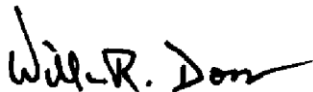
The Board of Supervisors should ensure that sufficient funds are maintained in the Unemployment Compensation Fund at an amount that is not less than two percent (2%) of the covered wages paid during the next preceding year, as required by law, and install a system of controls to ensure that the minimum required balances is maintained.

Board of Supervisor's Response

We will monitor and correct this finding.

Lincoln County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 21, 2014

LINCOLN COUNTY

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LINCOLN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LINCOLN COUNTY

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LINCOLN COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1 Reconciled bank statements should be independently reviewed and signed off on as evidence of completion.

Finding

An effective system on internal control would be providing evidence of bank reconciliation reviews. As reported in the prior two years' audit reports, we noted the countywide bank statements are not being signed off on by the person reconciling the bank statement, nor are they being reviewed and signed off on by someone other than the reconciler. Failure to implement internal controls over the bank reconciliation function could result in unrecorded transactions, undetected errors or misappropriation of funds.

Recommendation

We recommend the county implement internal controls over the bank reconciliation functions by providing evidence of reviews of the countywide bank reconciliation.

Board of Supervisors' Response

We will make every effort to comply in the future.

Board of Supervisors.

Material Weakness

- 12-2 The Board of Supervisors should approve contracts for services on the Board minutes.

Finding

An effective internal control system should include the Board of Supervisors maintaining approved contracts for services spread on the Board of Supervisors' minutes. In our review of county expenditures, we noted that the county paid \$148,220 for a mail delivery service during the 2012 fiscal year. The county was unable to provide documentation of a contract for this service or approval on the minutes. Without proper documentation, we are unable to determine if the county is paying for detailed amounts authorized. The failure to provide a contract could result in payments of unauthorized amounts and could result in personal liability of the Board of Supervisors.

LINCOLN COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Recommendation

The Board of Supervisors should approve and maintain all contracts for services on the Board of Supervisors' minutes.

Board of Supervisor's Response

We no longer use outside mail service. All mail is processed in house and taken to the post office.

Board of Supervisors.

Material Weakness

- 12-3 Mobile home ad valorem tax should be recorded in the proper fund.

Finding

An effective system of internal control includes recording the ad valorem taxes in the correct fund. A portion of the mobile home ad valorem taxes were erroneously recorded into the General Fund instead of being recorded in other appropriate funds. An adjustment was proposed and approved by management for \$37,918 to transfer funds from the General Fund to the appropriate funds. Failure to record mobile home ad valorem taxes to the correct fund could result in loss or misappropriation of public funds, funds being used for unallowable purposes, and a misstatement in the financial statements.

Recommendation

The County should transfer these amounts from the General Fund to the appropriate Funds to correct this error.

Board of Supervisors' Response

Will make adjustment and transfer.

Board of Supervisors.

Material Weakness

- 12-4 Auto ad valorem tax should be recorded in the proper fund.

Finding

An effective system of internal control includes recording the ad valorem taxes in the correct fund. A portion of the auto ad valorem taxes were erroneously recorded into the Agency Funds instead of being recorded in other appropriate funds. An adjustment was proposed and approved by management for \$175,320 to transfer funds from the Agency Fund to the appropriate funds. Failure to record auto ad valorem taxes to the correct fund could result in loss or misappropriation of public funds, funds being used for unallowable purposes, and a misstatement in the financial statements.

Recommendation

The County should transfer these amounts from the General Fund to the appropriate funds to correct this error.

Board of Supervisors' Response

Will make the adjustment and transfer.

LINCOLN COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Chancery Clerk.

Material Weakness

12-5 Revenue should be deposited and recorded on the county's records on a timely basis.

Finding

An effective system of internal control over cash should include the receipt and the recording of revenue to the county's records and depositing on a timely basis. As reported in the prior year's audit report, the Chancery Clerk's payment for over the cap fees was not recorded and deposited in a timely manner. A check from the Chancery Clerk, in the amount of \$82,857.65, dated April 15, 2013 for monies paid the county for over the cap fees for 2012 was posted to the county records by the County Administrator on May 31, 2013, and the check cleared the bank on the same day. Failure to deposit receipts timely resulted in an interest free loan to the Chancery Clerk and could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that funds are available to submit to the County for funds over the cap and that those funds are submitted on a timely basis, according to State law. The County Administrator should ensure all receipts of revenue are deposited on a timely basis.

Chancery Clerk's Response

Clerk has complied and understands audit recommendation.

Chancery Clerk.

Material Weakness

12-6 Deposits are not made timely.

Finding

An effective system of internal control over the accounting of revenues should include timely deposits of receipts to the fee account. As reported in the prior three years' audit reports, deposits of receipts were not made on a timely basis. While testing other revenues in the Chancery Clerk's office, we noted that 15 out of 15 receipts were not deposited on a timely basis. Untimely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should ensure that receipts are deposited daily for effective internal control over cash.

Chancery Clerk's Response

Clerk has understood the recommendations and has complied with it. Deposits are being done on a timely basis.

LINCOLN COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Chancery Clerk.

Material Weakness

12-7 Chancery Clerk is not properly reimbursing the county for his employees' payroll.

Finding

An effective system of internal control includes the Chancery Clerk reimbursing the General Fund for the clerk's payroll paid by the county. As reported in the prior year's audit report, the Chancery Clerk has not been reimbursing the General Fund in a timely manner for the clerk's employees' salaries paid by the county. The county received reimbursement for the salaries only three times during the year, which was in November 2012 and twice in December 2012. As a result, the Chancery Clerk received an interest free loan from the county. Also, there were negative cash balances in the Chancery Clerk's Payroll Clearing Fund throughout the year as a result of doing this. Failure to reimburse the County for payroll resulted in an interest free loan to the Chancery Clerk and negative payroll balances in the Chancery Clerk's payroll fund.

Recommendation

The Chancery Clerk should reimburse the county for his employees' payroll in advance of the actual payroll date. The Chancery Clerk should repay to the county the deficit cash balance in the amount of \$21,636.18 reflected in the Chancery Clerk's Payroll Fund at June 2013.

Chancery Clerk's Response

Clerk has complied with audit recommendation.

Auditor's Note

Reimbursement was made on January 15, 2014.

Chancery Clerk.

Material Weakness

12-8 The Chancery Clerk should reconcile the land redemption bank account to unsettled releases on a monthly basis.

Finding

An effective system of internal control should include the Chancery Clerk reconciling the land redemption bank account to unsettled releases on a monthly basis. During our review of the land redemption bank account, we noted that the Chancery Clerk does not reconcile the land redemption account to the unsettled releases. Failure to reconcile the land redemption bank account to the unsettled releases has resulted in a \$25,812.18 overage in the land redemption bank account.

Recommendation

The Chancery Clerk should settle this overage to the county immediately, and should implement a system that includes reconciling the land redemption bank account each month to unsettled releases.

Chancery Clerk's Response

The unsettled amount indicated will be settled to the county and future reconcilements will results in a zero balance after disbursements.

LINCOLN COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Auditor's Note

The Chancery Clerk settled these funds to the General Fund of the County on January 14, 2014 as evidenced by Receipt Warrant #16852.

Tax Collector.

Material Weakness

12-9 Tax Collector should establish controls over the settlement of taxes.

Finding

An effective system of internal control over cash includes settling all taxes collected to the proper authorities. As reported in the prior two years' audit reports, we noted that the Tax Collector was settling gross collections to the taxing authorities and settling commissions to the county. This continued through the 2011 and 2012 fiscal years, resulting in over settlements of the Tax Collector's commissions each month.

In April 2012, the Tax Collector did not make the tax settlement for March (\$589,917.20) to the county to compensate for prior years' over settlements. Also, that month, a check was written from the county to the tax office for \$57,481.22. No documentation was given to support the amount of money that was over settled to the county and no documentation to support the reason the Tax Collector held the month of March's settlement as payment for over settling.

In the 2012 fiscal year, tax collector commissions were over settled each month to both the taxing authority and the County for a total of \$67,285.03. This continued in fiscal year 2013 for a total of \$76,845.51. A check dated July 1, 2013 was written from the county to the tax office for \$144,130.54 to rectify the tax collector's shortage.

Failure to have adequate controls over cash settlements and documentation could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should ensure that all receipts are balanced each month to the disbursements made to the taxing authorities for which they collect. All documents should be maintained supporting any settlement problems that occur.

Tax Collector's Response

This is resolved, thankfully.

Tax Collector.

Material Weakness

12-10 The Tax Collector should not comingle solid waste user fee collections with advalorem taxes.

Finding

An effective system of internal control should include the separate accounting of solid waste collections. A separate bank account should be used to account for all solid waste collections and a separate reconciliation should be prepared for the solid waste account. As reported in the prior year's audit, we noted that the solid waste user fees were being combined into the Tax Collector's bank account with all advalorem taxes. Failure to separate the solid waste user fees could result in the loss or misappropriations of public funds.

LINCOLN COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Recommendation

The Tax Collector should establish and maintain a separate bank account and reconciliation monthly for the solid waste user fees.

Tax Collector's Response

We have 82 counties in the state. Only 3 or 4 of us collectors collect solid waste. All reports show a separate total for solid waste and that is the amount that I settle to the county. I will do my best to comply.

Tax Collector.

Material Weakness

- 12-11 Tax Collector should establish controls over changes to settlement reports.

Finding

An effective system of internal control over settlement reports should include controls that would not allow changes to the original settlement reports. During our audit, we reviewed a rerun of the realty settlements for December 2011 and January 2012 and noted differences when compared to the original reports of \$276.35 and \$477.54 respectively. Allowing original reports to be changed after settlements are made could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should ensure controls are in place that will not allow original settlement report numbers to be changed after month end.

Tax Collector's Response

The Tax Collector chose not to respond.